

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**

**AUDITED FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2011**

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**

**SCHOOL OFFICIALS**

**JUNE 30, 2011**

---

**Board Members:**

James Hulm, President

Chad Mettler, Vice-President

Jay Jones

Marcia O'Leary

Denver Enright

**Superintendent:**

Frank Seiler

**Business Manager:**

Norma Pesicka

# TIMBER LAKE SCHOOL DISTRICT NO. 20-3

## TABLE OF CONTENTS

---

	<u>Page</u>
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>	1 - 2
Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	3 - 4
Schedule of Prior Audit Findings and Questioned Costs	5
Schedule of Current Audit Findings and Questioned Costs	6 - 8
Independent Auditors' Report	9 - 10
Basic Financial Statements:	
Government-Wide Financial Statements:	
As of June 30, 2011:	
Statement of Net Assets	11
Year Ended June 30, 2011:	
Statement of Activities	12
Fund Financial Statements:	
Governmental Funds:	
As of June 30, 2011:	
Balance Sheet	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	14
Year Ended June 30, 2011:	
Statement of Revenues, Expenditures and Changes in Fund Balances	15 - 17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	18

# **TIMBER LAKE SCHOOL DISTRICT NO. 20-3**

## **TABLE OF CONTENTS (Continued)**

---

	<u>Page</u>
Proprietary Funds:	
As of June 30, 2011:	
Balance Sheet	19
Year Ended June 30, 2011:	
Statement of Revenues, Expenses and Changes in Fund Net Assets	20
Statement of Cash Flows	21
Fiduciary Funds:	
As of June 30, 2011:	
Statement of Fiduciary Net Assets	22
Year Ended June 30, 2011:	
Statement of Changes in Fiduciary Net Assets	23
Notes to the Financial Statements	24 - 39
Required Supplementary Information Other Than MD&A:	
Budgetary Comparison Schedule - General Fund - Budgetary Basis	40 - 41
Budgetary Comparison Schedule - Special Education Fund - Budgetary Basis	42 - 43
Notes to Required Supplementary Information - Budgetary Comparison Schedules	44 - 45
Supplementary Information:	
Combining Financial Statements:	
Combining Balance Sheet - Nonmajor Governmental Funds	46
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	47
Schedule of Expenditures of Federal Awards	48

**KOHLMAN, BIRSCHBACH & ANDERSON, LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**PARTNERS**

**WILLIAM J BACHMEIER, CPA**  
**DAVID S ANDERSON, CPA**  
**ROSEMARY MUELLER, CPA**  
**ROY R FAUTH, CPA**

PROFESSIONAL BUILDING  
210 EAST GRAND CROSSING • PO BOX 460  
MOBRIDGE, SOUTH DAKOTA 57601  
605-845-3658 • 605-845-3754 (FAX)  
Email: kba@westriv.com

**WITH OFFICES IN**  
**LEMMON, SOUTH DAKOTA**  
**MILLER, SOUTH DAKOTA**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

School Board  
Timber Lake School District No. 20-3  
Timber Lake, South Dakota

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Timber Lake School District No. 20-3, South Dakota, as of June 30, 2011, and for the year then ended, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 12, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Current Audit Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings and Questioned Costs as items 2011-01 through 2011-03 to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the

determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The School District's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings and Questioned Costs. We did not audit the School District's responses and, accordingly, we express no opinion on them.

We also noted certain additional matters that we reported to management of the School District in a separate communication dated December 12, 2011.

This report is intended solely for the information and use of federal awarding agencies and pass-through entities, the South Dakota Legislature, state granting agencies, and the governing board and management of the Timber Lake School District No. 20-3, South Dakota, and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11 and OMB Circular A-133 § .320, this report is a matter of public record and its distribution is not limited.

*Kahlman, Deimphel & Anderson, LLP*

December 12, 2011

**KOHLMAN, BIRSCHBACH & ANDERSON, LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**PARTNERS**

**WILLIAM J BACHMEIER, CPA**  
**DAVID S ANDERSON, CPA**  
**ROSEMARY MUELLER, CPA**  
**ROY R FAUTH, CPA**

PROFESSIONAL BUILDING  
210 EAST GRAND CROSSING • PO BOX 460  
MOBRIDGE, SOUTH DAKOTA 57601  
605-845-3658 • 605-845-3754 (FAX)  
Email: kba@westriv.com

**WITH OFFICES IN**  
**LEMMON, SOUTH DAKOTA**  
**MILLER, SOUTH DAKOTA**

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

**Independent Auditors' Report**

School Board  
Timber Lake School District No. 20-3  
Timber Lake, South Dakota

**Compliance**

We have audited the Timber Lake School District No. 20-3, South Dakota compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2011. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Current Audit Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the Timber Lake School District No. 20-3, South Dakota, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

**Internal Control Over Compliance**

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with

requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The School District's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings and Questioned Costs. We did not audit the School District's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of federal awarding agencies and pass-through entities, the South Dakota Legislature, state granting agencies, the governing board and management of the Timber Lake School District No. 20-3, South Dakota, and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11 and OMB Circular A-133 §\_\_320, this report is matter of public record and its distribution is not limited.

*Kahlan, Deenbach & Anderson, LLP*

December 12, 2011



**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2011**

---

**PRIOR FEDERAL AUDIT FINDINGS:**

2010-01

The School District could not find two applications for students participating in the free and reduced meals program which requires an application to be filled out annually. This finding was corrected for 2011.

**PRIOR OTHER AUDIT FINDINGS:**

2010-02

A material weakness was reported for a lack of segregation of duties for revenues, receivables, inventory, payables, trust and agency, capital assets, budget, indebtedness, and equity. This is undesirable from an internal control viewpoint, and could result in a loss of control over accounting transactions and errors not being found in a timely manner. This finding has not been corrected and is restated as current other audit finding 2011-01.

2010-03

The School District does not have an internal control system designed to provide for the preparation of the financial statements in accordance with generally accepted accounting principles (GAAP). This comment has not been corrected and is restated as current other audit finding 2011-02.

2010-04

The School District does not have an internal control structure to provide for the recording of all necessary material adjustments. This comment has not been corrected and is restated as current other audit finding 2011-03.

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2011**

---

**SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS:**

**Financial Statements:**

- a. An unqualified opinion was issued on the financial statements of each opinion unit.
- b. Material weaknesses were disclosed by our audit of the financial statements. They are described in findings 2011-01 through 2011-03.
- c. Our audit did not disclose any noncompliance which was material to the financial statements.

**Federal Awards:**

- d. An unqualified opinion was issued on compliance with the requirements applicable to major programs.
- e. Our audit did not disclose any audit findings that need to be disclosed in accordance with the Office of Management and Budget Circular A-133, Section .510(a).
- f. The federal awards tested as major programs were:
  - a. Impact Aid #84.041
  - b. Impact Aid - School Construction Formula Grants, Recovery Act #84.404
  - c. Impact Aid - School Construction, Recovery Act #84.401
  - d. Title I Grants to Local Educational Agencies #84.010
  - e. Title I Grants to Local Educational Agencies, Recovery Act #84.389
- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$300,000.
- h. Timber Lake School District No. 20-3, South Dakota, did not qualify as a low-risk entity.

**CURRENT OTHER AUDIT FINDINGS:**

**Internal Control-Related Findings - Material Weaknesses:**

2011-01

**Criteria**

Internal control can help the School District achieve its performance targets and prevent loss of resources. It can help ensure reliable financial reporting and it can help ensure that the School District complies with laws and regulations.

**Condition Found**

A material weakness was reported for a lack of segregation of duties for cash, revenues, receivables, inventories, payables, trust and agency, capital assets, budget, indebtedness, and equity, which could result in errors not being found in a timely manner.

**Effect**

The Timber Lake School District No. 20-3 has a limited number of employees who prepare all records for cash, revenues, receivables, inventories, payables, trust and agency, capital assets, budget, indebtedness, and equity. This is undesirable from an internal control viewpoint, and could result in a loss of control over accounting transactions and errors not being found in a timely manner.

**Recommendation**

We recommend the School Board take a more active role in their oversight of cash, revenues, receivables, inventories, payables, trust and agency, capital assets, budget, indebtedness, and equity.

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2011**  
**(Continued)**

---

Corrective Action Plan

The Timber Lake School District No. 20-3 has determined that it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for cash, revenues, receivables, inventories, payables, trust and agency, capital assets, budget, indebtedness, and equity and accepts the risks involved. The Board is aware of the problem and will attempt to provide compensating controls wherever and whenever possible and practical. The Business Manager, Norma Pesicka, is responsible for the corrective action plan for this finding.

2011-02

Criteria

An organization's internal control structure should provide for the preparation of financial statements in accordance with generally accepted accounting principles (GAAP).

Condition Found

The School District does not have an internal control system designed to provide for the preparation of the annual financial statements being audited, including required footnotes and disclosures, in accordance with generally accepted accounting principles. As auditors, we were requested to draft the financial statements.

Effect

This condition may affect the School's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation

This circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Corrective Action Plan

Both management and the School Board have been informed of this condition and are confident that the information is accurate and are willing to accept this risk. The Business Manager, Norma Pesicka, is responsible for the corrective action plan for this finding.

2011-03

Criteria

An organization's internal control structure should provide for the recording of all necessary material adjustments in order to ensure that accounting records are in accordance with generally accepted accounting principles.

Condition Found

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the School District's existing internal controls, and therefore could have resulted in a material misstatement of the School District's financial statements.

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2011**  
**(Continued)**

---

Effect

This condition may affect the School District's ability to record, process, summarize, and report financial statement data consistent with the assertions of management in the financial statements.

Recommendation

This circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Corrective Action Plan

Both management and the School Board accept the risks associated with this deficiency. The Board is aware of the problem and will attempt to provide compensating controls wherever and whenever possible and practical. The contact person for this finding is Jim Hulm, Board President.

Closing Conference

The contents of this report were discussed with Norma Pesicka, Business Manager, and Jarod Larson, Superintendent, on August 4, 2011.

**KOHLMAN, BIRSCHBACH & ANDERSON, LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**PARTNERS**

WILLIAM J BACHMEIER, CPA  
DAVID S ANDERSON, CPA  
ROSEMARY MUELLER, CPA  
ROY R FAUTH, CPA

PROFESSIONAL BUILDING  
210 EAST GRAND CROSSING • PO BOX 460  
MOBRIDGE, SOUTH DAKOTA 57601  
605-845-3658 • 605-845-3754 (FAX)  
Email: kba@westriv.com

**WITH OFFICES IN**  
LEMMON, SOUTH DAKOTA  
MILLER, SOUTH DAKOTA

**INDEPENDENT AUDITORS' REPORT**

School Board  
Timber Lake School District No. 20-3  
Timber Lake, South Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Timber Lake School District No. 20-3, South Dakota, as of June 30, 2011, and for the year then ended, which collectively comprise the School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Timber Lake School District No. 20-3, South Dakota, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 12, 2011, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Budgetary Comparison Schedules on pages 40 through 45 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The School District has not presented

the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Expenditures of Federal Awards, which is required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the combining nonmajor fund financial statements listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*Kohlman, Deimphah & Anderson, LLP*

December 12, 2011

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3****STATEMENT OF NET ASSETS****JUNE 30, 2011**

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 1,880,117	\$ 19,170	\$ 1,899,287
Investments	5,500,000	-	5,500,000
Taxes receivable	312,464	-	312,464
Inventories	-	4,418	4,418
Capital Assets:			
Land, improvements and construction in progress	500,184	-	500,184
Other capital assets, net of depreciation	3,954,749	16,664	3,971,413
<b>TOTAL ASSETS</b>	<b><u>\$ 12,147,514</u></b>	<b><u>\$ 40,252</u></b>	<b><u>\$ 12,187,766</u></b>
<b>LIABILITIES:</b>			
Accounts payable	\$ 63,201	\$ -	\$ 63,201
Other current liabilities	256,340	1,234	257,574
Deferred revenue	356,963	-	356,963
Noncurrent Liabilities:			
Due within one year	3,538	-	3,538
Due in more than one year	5,308	-	5,308
<b>TOTAL LIABILITIES</b>	<b><u>685,350</u></b>	<b><u>1,234</u></b>	<b><u>686,584</u></b>
<b>NET ASSETS:</b>			
Invested in capital assets	4,454,933	16,664	4,471,597
Restricted for:			
Capital outlay purposes	93	-	93
Special education purposes	10,104	-	10,104
Pension purposes	2,979	-	2,979
Food service purposes	-	22,354	22,354
Unrestricted	6,994,055	-	6,994,055
<b>TOTAL NET ASSETS</b>	<b><u>11,462,164</u></b>	<b><u>39,018</u></b>	<b><u>11,501,182</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 12,147,514</u></b>	<b><u>\$ 40,252</u></b>	<b><u>\$ 12,187,766</u></b>

The notes to the financial statements are an integral part of this statement.

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
Instruction	\$ 2,485,670	\$ -	\$ 250,704	\$ 1,006,756	\$ (1,228,210)	\$ -	\$ (1,228,210)
Support services	1,529,440	16,660	-	-	(1,512,780)	-	(1,512,780)
Cocurricular activities	135,288	15,872	-	-	(119,416)	-	(119,416)
Total Governmental Activities	4,150,398	32,532	250,704	1,006,756	(2,860,406)	-	(2,860,406)
Business-Type Activities:							
Food service	212,582	37,594	109,190	-	-	(65,798)	(65,798)
Total Primary Government	\$ 4,362,980	\$ 70,126	\$ 359,894	\$ 1,006,756	(2,860,406)	-	(2,926,204)
General Revenues:							
Taxes:							
Property taxes					594,754	-	594,754
Gross receipts taxes					34,290	-	34,290
Revenue from State Sources:							
State aid					1,307,039	-	1,307,039
Other					25,279	-	25,279
Revenue from Federal Sources					2,712,437	-	2,712,437
Unrestricted Investment Earnings					34,399	-	34,399
Other General Revenues					39,604	-	39,604
Transfers					(60,000)	60,000	-
Total General Revenues and Transfers					4,687,802	60,000	4,747,802
Change In Net Assets					1,827,396	(5,798)	1,821,598
Net Assets - Beginning					9,654,304	44,816	9,699,120
Prior Period Adjustment (Note 11)					(19,536)	-	(19,536)
Adjusted Net Assets - Beginning					9,634,768	44,816	9,679,584
Net Assets - Ending					\$11,462,164	\$ 39,018	\$11,501,182

The notes to the financial statements are an integral part of this statement.



**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2011**

	General Fund	Special Education Fund	Special Building Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 1,707,414	\$ 43,686	\$ 122,744	\$ 6,273	\$ 1,880,117
Investments	5,500,000	-	-	-	5,500,000
Taxes receivable - current	220,720	60,999	-	-	281,719
Taxes receivable - delinquent	<u>23,268</u>	<u>6,385</u>	<u>-</u>	<u>1,092</u>	<u>30,745</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 7,451,402</b></u>	<u><b>\$ 111,070</b></u>	<u><b>\$ 122,744</b></u>	<u><b>\$ 7,365</b></u>	<u><b>\$ 7,692,581</b></u>
<b>LIABILITIES AND FUND BALANCES:</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ -	\$ 11,408	\$ 47,500	\$ 4,293	\$ 63,201
Contracts payable	199,740	25,433	-	-	225,173
Payroll deductions and withholdings and employer matching payable	28,041	3,126	-	-	31,167
Deferred revenue	<u>243,988</u>	<u>67,384</u>	<u>75,244</u>	<u>1,092</u>	<u>387,708</u>
<b>TOTAL LIABILITIES</b>	<u><b>471,769</b></u>	<u><b>107,351</b></u>	<u><b>122,744</b></u>	<u><b>5,385</b></u>	<u><b>707,249</b></u>
<b>FUND BALANCES:</b>					
Restricted for:					
Special Education	-	3,719	-	-	3,719
Pension Fund	-	-	-	2,904	2,904
Assigned to:					
Next year's budget	342,514	-	-	-	342,514
Construction of new building	4,500,000	-	-	-	4,500,000
Unassigned	<u>2,137,119</u>	<u>-</u>	<u>-</u>	<u>(924)</u>	<u>2,136,195</u>
<b>TOTAL FUND BALANCES</b>	<u><b>6,979,633</b></u>	<u><b>3,719</b></u>	<u><b>-</b></u>	<u><b>1,980</b></u>	<u><b>6,985,332</b></u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><b>\$ 7,451,402</b></u>	<u><b>\$ 111,070</b></u>	<u><b>\$ 122,744</b></u>	<u><b>\$ 7,365</b></u>	<u><b>\$ 7,692,581</b></u>

The notes to the financial statements are an integral part of this statement.

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

---

Total Fund Balances - Governmental Funds	\$ 6,985,332
--	--------------

Amounts reported for governmental activities in the statement of net assets  
are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	4,454,933
---	-----------

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Accrued leave	<u>\$ 8,846</u>	(8,846)
---------------	-----------------	---------

Assets, such as taxes receivable that are not available to pay for current period expenditures, are deferred in the funds.

Taxes receivable	<u>\$ 30,745</u>	<u>30,745</u>
------------------	------------------	---------------

Net Assets - Governmental Activities	<u><u>\$ 11,462,164</u></u>
--------------------------------------	-----------------------------

The notes to the financial statements are an integral part of this statement.

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2011**

	General Fund	Special Education Fund	Special Building Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Revenue from Local Sources:					
Taxes:					
Ad valorem taxes	\$ 456,318	\$ 122,619	\$ -	\$ 99	\$ 579,036
Prior year's ad valorem taxes	8,921	1,983	-	1,490	12,394
Gross receipts taxes	34,290	-	-	-	34,290
Other taxes	318	-	-	-	318
Penalties and interest on taxes	3,867	1,035	-	622	5,524
Earnings on investments and deposits	34,399	-	-	-	34,399
Cocurricular activities:					
Admissions	14,722	-	-	-	14,722
Other pupil activity income	1,150	-	-	-	1,150
Other revenue from local sources:					
Refund of prior years' expenditures	1,071	-	-	-	1,071
Charges for services	-	16,660	-	-	16,660
Other	31,103	95	-	-	31,198
Revenue from Intermediate Sources:					
County sources:					
County apportionment	1,885	-	-	-	1,885
Revenue from State Sources:					
Grants-in-aid:					
Unrestricted grants-in-aid	1,331,821	-	-	-	1,331,821
Restricted grants	1,000	189,590	-	-	190,590
Other state revenue	497	-	-	-	497
Revenue from Federal Sources:					
Grants-in-aid:					
Unrestricted grants-in-aid received directly from federal government	2,669,780	24,184	-	8,752	2,702,716
Restricted grants-in-aid received directly from federal government	-	-	437,543	-	437,543
Restricted grants-in-aid received from federal government through the state	568,644	569	-	-	569,213
Johnson O'Malley funds	9,721	-	-	-	9,721
Other federal revenue	60,114	-	-	-	60,114
<b>TOTAL REVENUE</b>	<u>5,229,621</u>	<u>356,735</u>	<u>437,543</u>	<u>10,963</u>	<u>6,034,862</u>

(Continued on next page)

The notes to the financial statements are an integral part of this statement.

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2011**  
**(Continued)**

	General Fund	Special Education Fund	Special Building Fund	Other Governmental Funds	Total Governmental Funds
<b>EXPENDITURES:</b>					
Instruction:					
Regular programs:					
Elementary	656,819	-	-	57,106	713,925
Middle/Junior high	318,497	-	-	23,310	341,807
High school	554,781	-	-	14,080	568,861
Special programs:					
Programs for special education	-	410,344	-	-	410,344
Culturally different	48,408	-	-	-	48,408
Educationally deprived	318,598	-	-	-	318,598
Support Services:					
Pupils:					
Guidance	131,378	-	-	-	131,378
Health	1,380	-	-	-	1,380
Psychological	-	3,101	-	-	3,101
Audiology services	-	75	-	-	75
Student therapy services	-	29,959	-	-	29,959
Instructional staff:					
Improvement of instruction	1,562	-	-	-	1,562
Educational media	125,636	-	-	1,576	127,212
General administration:					
Board of education	69,211	-	-	-	69,211
Executive administration	166,279	-	-	-	166,279
School administration:					
Office of the principal	154,817	-	-	-	154,817
Other	69,899	-	-	-	69,899
Business:					
Fiscal services	96,339	-	-	-	96,339
Operation and maintenance of plant	359,789	-	-	57,891	417,680
Pupil transportation	199,043	-	-	1,090	200,133
Central:					
Staff	952	-	-	-	952
Special education:					
Administrative costs	-	23,097	-	-	23,097
Transportation costs	-	6,316	-	-	6,316

(Continued on next page)

The notes to the financial statements are an integral part of this statement.

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2011**  
**(Continued)**

	General Fund	Special Education Fund	Special Building Fund	Other Governmental Funds	Total Governmental Funds
Cocurricular Activities:					
Male activities	36,631	-	-	1,680	38,311
Female activities	28,553	-	-	2,502	31,055
Combined activities	64,065	-	-	-	64,065
Capital Outlay	<u>11,861</u>	<u>-</u>	<u>426,920</u>	<u>35,906</u>	<u>474,687</u>
<b>TOTAL EXPENDITURES</b>	<u>3,414,498</u>	<u>472,892</u>	<u>426,920</u>	<u>195,141</u>	<u>4,509,451</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>1,815,123</u>	<u>(116,157)</u>	<u>10,623</u>	<u>(184,178)</u>	<u>1,525,411</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-	40,000	-	180,000	220,000
Transfers out	(280,000)	-	-	-	(280,000)
Sale of surplus property	-	-	-	5,010	5,010
Compensation for loss of general capital assets	<u>440</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>440</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(279,560)</u>	<u>40,000</u>	<u>-</u>	<u>185,010</u>	<u>(54,550)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>1,535,563</u>	<u>(76,157)</u>	<u>10,623</u>	<u>832</u>	<u>1,470,861</u>
<b>FUND BALANCE - BEGINNING</b>	5,444,070	88,789	-	1,148	5,534,007
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>-</u>	<u>(8,913)</u>	<u>(10,623)</u>	<u>-</u>	<u>(19,536)</u>
<b>ADJUSTED FUND BALANCE - BEGINNING</b>	<u>5,444,070</u>	<u>79,876</u>	<u>(10,623)</u>	<u>1,148</u>	<u>5,514,471</u>
<b>FUND BALANCE - ENDING</b>	<u>\$6,979,633</u>	<u>\$ 3,719</u>	<u>\$ -</u>	<u>\$ 1,980</u>	<u>\$ 6,985,332</u>

The notes to the financial statements are an integral part of this statement.

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2011**

---

Net Change in Fund Balances - Total Governmental Funds \$ 1,470,861

Amounts reported for governmental activities in the statement of activities  
are different because:

This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements. 474,687

This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources. (122,039)

In both the government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the funds' statements differs from the accounting in the government-wide statements in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria". (2,518)

Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.

Vacation leave	<u>\$ 6,405</u>	<u>6,405</u>
----------------	-----------------	--------------

Change in Net Assets of Governmental Activities	<u><u>\$ 1,827,396</u></u>
---	----------------------------

The notes to the financial statements are an integral part of this statement.

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**BALANCE SHEET**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2011**

---

	<u>Enterprise Funds</u> <u>Food Service</u> <u>Fund</u>
<b>ASSETS:</b>	
Current Assets:	
Cash and cash equivalents	\$ 19,170
Inventory of supplies	644
Inventory of stores purchased for resale	2,169
Inventory of donated food	<u>1,605</u>
Total Current Assets	<u>23,588</u>
Capital Assets:	
Machinery and equipment	28,033
Less: accumulated depreciation	<u>(11,369)</u>
Total Noncurrent Assets	<u>16,664</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 40,252</u></b>
<b>LIABILITIES:</b>	
Current Liabilities:	
Payroll deductions and withholdings and employer matching payable	<u>\$ 1,234</u>
Total Current Liabilities	<u>1,234</u>
<b>NET ASSETS:</b>	
Invested in capital assets	16,664
Unrestricted net assets	<u>22,354</u>
<b>TOTAL NET ASSETS</b>	<b><u>39,018</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 40,252</u></b>

The notes to the financial statements are an integral part of this statement.

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2011**

	<u>Enterprise Funds</u> Food Service Fund
OPERATING REVENUE:	
Food sales:	
Student	\$ 25,851
Adult	10,116
Other charges for goods and services	<u>1,627</u>
TOTAL OPERATING REVENUE	<u>37,594</u>
OPERATING EXPENSES:	
Salaries	69,418
Employee benefits	35,112
Purchased services	1,548
Supplies	4,827
Cost of sales - purchased	88,438
Cost of sales - donated	10,280
Other	623
Depreciation	<u>2,336</u>
TOTAL OPERATING EXPENSES	<u>212,582</u>
OPERATING LOSS	<u>(174,988)</u>
NONOPERATING REVENUE:	
State grants	860
Federal grants	96,841
Donated food	<u>11,489</u>
TOTAL NONOPERATING REVENUE	<u>109,190</u>
LOSS BEFORE TRANSFERS	(65,798)
TRANSFERS IN	<u>60,000</u>
CHANGE IN NET ASSETS	(5,798)
NET ASSETS - BEGINNING	<u>44,816</u>
NET ASSETS - ENDING	<u><u>\$ 39,018</u></u>

The notes to the financial statements are an integral part of this statement.



**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2011**

	<u>Enterprise Funds</u> <u>Food Service</u> <u>Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash receipts from customers	\$ 35,967
Other operating cash receipts	1,627
Cash payments to employees for services	(104,406)
Cash payments to suppliers of goods and services	<u>(96,031)</u>
Net cash used by operating activities	<u>(162,843)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Transfers in	60,000
Change in due from Special Education Fund	<u>2,936</u>
Net cash provided by noncapital financing activities	<u>62,936</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Capital grants received	<u>97,701</u>
Net cash provided by capital and related financing activities	<u>97,701</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<u>-</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(2,206)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>21,376</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 19,170</u>
<b><u>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</u></b>	
<b>OPERATING LOSS</b>	\$ (174,988)
<b>ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>	
Depreciation	2,336
Value of donated commodities used	10,280
Change in assets and liabilities:	
Inventories	(595)
Payroll deductions and withholdings and employer matching payable	<u>124</u>
Net cash used by operating activities	<u>\$ (162,843)</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>	
Value of commodities received	<u>\$ 11,489</u>

The notes to the financial statements are an integral part of this statement.

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2011**

	Private-Purpose Trust Funds	Agency Funds
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 36,721	\$ 39,097
Investments	<u>21,680</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 58,401</b></u>	<u><b>\$ 39,097</b></u>
<b>LIABILITIES:</b>		
Amounts held for others	<u>\$ -</u>	<u>\$ 39,097</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>39,097</u>
<b>NET ASSETS:</b>		
Held in trust for scholarships	<u>58,401</u>	<u>-</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 58,401</b></u>	<u><b>\$ 39,097</b></u>

The notes to the financial statements are an integral part of this statement.

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2011**

---

	<u>Private-Purpose Trust Funds</u>
ADDITIONS:	
Contributions and donations	\$ 8,429
Earnings on investments and deposits	<u>376</u>
TOTAL ADDITIONS	<u>8,805</u>
DEDUCTIONS:	
Trust deductions for scholarships	<u>1,250</u>
TOTAL DEDUCTIONS	<u>1,250</u>
CHANGE IN NET ASSETS	7,555
NET ASSETS - BEGINNING	<u>50,846</u>
NET ASSETS - ENDING	<u>\$ 58,401</u>

The notes to the financial statements are an integral part of this statement.

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the School District conform to generally accepted accounting principles applicable to government entities in the United States of America.

**a. Financial Reporting Entity:**

The reporting entity of Timber Lake School District No. 20-3 (School District), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

The School District participates in two cooperative service units with several other school districts. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit, but are discussed in these notes because of the nature of their relationship with the School District.

**b. Basis of Presentation:**

**Government-Wide Financial Statements:**

The Statement of Net Assets and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Assets reports all financial and capital resources, in a net assets form (assets minus liabilities equal net assets). Net assets are displayed in three components, as applicable, invested in capital assets net of related debt, restricted (distinguishing between major categories of restrictions), and unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements:**

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the School District or it meets the following criteria:

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

---

**NOTE 1 - (Continued)**

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least ten percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the School District financial reporting entity are described below within their respective fund types:

**Governmental Funds:**

**General Fund** - A fund established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the School District, excluding Capital Outlay Fund and Special Education Fund expenditures. The General Fund is always a major fund.

**Special Revenue Funds** - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**Capital Outlay Fund** - A fund established by SDCL 13-16-6 to meet expenditures which result in the lease of, acquisition of or additions to real property, plant or equipment, textbooks and instructional software. This fund is financed by property taxes. This is not a major fund.

**Special Education Fund** - A fund established by SDCL 13-37-16 to pay the costs for the special education of all children in need of special assistance and prolonged assistance who reside within the School District. This fund is financed by grants and property taxes. This is a major fund.

**Pension Fund** - A fund established by SDCL 13-10-6 for the purpose of paying pensions to retired employees of school districts, which have established such systems, paying the School District's share of retirement plan contributions, and for funding early retirement benefits to qualifying employees. This fund is financed by property taxes. This is not a major fund.

**Capital Projects Funds** - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

The Special Building Fund is the only capital projects fund maintained by the School District. This is a major fund.

**Proprietary Funds:**

**Enterprise Funds** - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

---

**NOTE 1 - (Continued)**

Food Service Fund - A fund used to record financial transactions related to food service operations. This fund is financed by user charges and grants. This is a major fund.

**Fiduciary Funds:**

Fiduciary funds consist of the following sub-categories and are never considered to be major funds:

Private-Purpose Trust Funds - Private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The School District maintains the following private-purpose trust funds:

The William Adney Scholarship Trust Fund and the Alf Hulm Scholarship Trust Fund are the only private-purpose trust funds.

Agency Funds - Agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The School District maintains agency funds to hold assets as an agent in a trustee capacity for various classes, clubs and so on.

**c. Measurement Focus and Basis of Accounting:**

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

**Measurement Focus:**

**Government-Wide Financial Statements:**

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

**Fund Financial Statements:**

In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental funds, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary fund types.

**Basis of Accounting:**

**Government-Wide Financial Statements:**

In the government-wide Statement of Net Assets and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

---

**NOTE 1 - (Continued)**

**Fund Financial Statements:**

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the School District is 60 days. The revenues which are accrued at June 30, 2011, are reimbursements for federal program expenditures.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

All proprietary fund and fiduciary fund types are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

The business-type activities and enterprise funds do not apply any FASB Statements and Interpretations issued after November 30, 1989.

**d. Capital Assets:**

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

**Government-Wide Financial Statements:**

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

Interest costs incurred during construction of general capital assets are not capitalized along with other capital asset costs.

The total June 30, 2011 balance of capital assets for governmental activities are all valued at original costs. The total June 30, 2011 balance of capital assets for business-type activities are all valued at original costs.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Assets. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

---

**NOTE 1 - (Continued)**

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$ -	N/A	N/A
Improvements	\$ 10,000	Straight-line	15 - 25 years
Buildings	\$ 50,000	Straight-line	75 - 100 years
Machinery and Equipment	\$ 5,000	Straight-line	5 - 20 years
Machinery and Equipment, Food Service	\$ 5,000	Straight-line	5 - 20 years

Land is an inexhaustible capital asset and is not depreciated.

**Fund Financial Statements:**

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

**e. Long-Term Liabilities:**

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of compensated absences.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as in the government-wide statements.

**f. Program Revenues:**

In the government-wide Statement of Activities, reported program revenues derive directly from the program itself or from parties other than the School District's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services - These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.



**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

---

**NOTE 1 - (Continued)**

**g. Proprietary Funds Revenue and Expense Classifications:**

In the proprietary fund's Statement of Activities, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

**h. Cash and Cash Equivalents:**

For the purpose of preparing the Statement of Cash Flows, the School District considers all highly liquid investments and deposits with a term to maturity of three months or less when purchased to be cash equivalents.

**i. Equity Classifications:**

Government-Wide Financial Statements:

Equity is classified as net assets and is displayed in three components:

1. Invested in capital assets, net of related debt - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and is distinguished between Nonspendable, Restricted, Committed, Assigned or Unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as net assets held in trust for other purposes.

**j. Application of Net Assets:**

It is the School District's policy to first use restricted net assets, prior to the use of unrestricted net assets, when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**k. Fund Balance Classification Policies and Procedures:**

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the School District classifies governmental fund balances as follows:

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

---

**NOTE 1 - (Continued)**

Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the School Board.

Unassigned - includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The School District does not have fund balance amounts in nonspendable form.

The School Board has not committed any portion of the School District's fund balance.

The School District uses restricted /committed amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Government does not have a formal minimum fund balance policy.

The purpose of each major special revenue fund and revenue source is listed below:

Major Special Revenue Fund  
Special Education Fund

Revenue Source  
Grants and Property Taxes

**NOTE 2 - DEFICIT FUND BALANCE**

As of June 30, 2011, the Capital Outlay Fund had a deficit fund balance in the amount of \$924.

**NOTE 3 - DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK**

The School District follows the practice of aggregating the cash assets of all of the funds, except the Food Service Fund, to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

**Deposits** - The School District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

---

**NOTE 3 - (Continued)**

their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments - In general, SDCL 4-5-6 permits school district funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Credit Risk - State law limits eligible investments for the School District, as discussed above. The School District has no investment policy that would further limit its investment choices.

As of June 30, 2011, all of the School District's investments were in certificates of deposit.

Concentration of Credit Risk - The School District places no limit on the amount that may be invested in any one issuer. Fifty-one percent of the School District's investments are in certificates of deposit at Western Dakota Bank and forty-nine percent of the School District's investments are in certificates of deposit at Dacotah Bank.

Interest Rate Risk - The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District's policy is to credit all income from investments to the fund making the investment.

**NOTE 4 - RECEIVABLES AND PAYABLES**

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. No allowances for estimated uncollectibles have been determined to be necessary.

**NOTE 5 - INVENTORY**

Inventory held for consumption is stated at cost. Inventory held for resale is stated at the lower of cost or market. The cost valuation method is first-in, first-out (FIFO). Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

In the government-wide financial statements, and in the enterprise fund financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

No material inventories were on hand as of June 30, 2011, in the governmental funds.

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

---

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied on or before each October 1, attach as an enforceable lien on property, and become due and payable as of the following January 1, and are payable in two installments on or before the following April 30 and October 31. The county bills and collects the School District's taxes and remits them to the School District.

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations and therefore are not susceptible to accrual has been reported as deferred revenue in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period".

**NOTE 7 - LONG-TERM LIABILITIES**

A summary of the changes in long-term liabilities for the year ended June 30, 2011, is as follows:

**PRIMARY GOVERNMENT**

**Governmental Activities**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated Absences	<u>\$ 15,251</u>	<u>\$ 11,720</u>	<u>\$ 18,125</u>	<u>\$ 8,846</u>	<u>\$ 3,538</u>

Compensated absences for governmental activities typically have been liquidated from the General Fund.

Liabilities payable at June 30, 2011, are comprised of the following:

**PRIMARY GOVERNMENT**

**Governmental Activities:**

**Compensated Absences:**

Payable from the General Fund      \$ 8,846

**NOTE 8 - CHANGES IN CAPITAL ASSETS**

A summary of changes in capital assets for the year ended June 30, 2011, is as follows:

**Primary Government**

# TIMBER LAKE SCHOOL DISTRICT NO. 20-3

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

### NOTE 8 - (Continued)

	Balance 7/1/2010	Prior Period Adjustment	Increase	Decrease	Balance 6/30/2011
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 44,110	\$ -	\$ 10,300	\$ -	\$ 54,410
Construction work in progress	-	10,623	435,151	-	\$ 445,774
Total, not being depreciated	44,110	10,623	445,451	-	500,184
Capital assets, being depreciated:					
Improvements	253,285	-	12,128	-	265,413
Buildings	3,958,420	-	-	-	3,958,420
Machinery and equipment	861,181	-	17,109	-	878,290
Total, being depreciated	5,072,886	-	29,237	-	5,102,123
Less accumulated depreciation for:					
Improvements	122,240	-	8,854	-	131,094
Buildings	648,442	-	52,779	-	701,221
Machinery and equipment	254,653	-	60,406	-	315,059
Total accumulated depreciation	1,025,335	-	122,039	-	1,147,374
Total capital assets, being depreciated, net	4,047,551	-	(92,802)	-	3,954,749
Governmental activity capital assets, net	\$ 4,091,661	\$ 10,623	\$ 352,649	\$ -	\$ 4,454,933

Depreciation expense was charged to functions as follows:

#### Governmental Activities:

Instruction	\$ 83,727
Support Services	36,455
Cocurricular Activities	1,857
Total depreciation expense-governmental activities	<u>\$ 122,039</u>

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 8 - (Continued)**

	<u>Balance 7/1/2010</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 6/30/2011</u>
Business-type activities:				
Capital assets, being depreciated:				
Machinery and equipment	\$ 28,033	\$ -	\$ -	\$ 28,033
Total, being depreciated	<u>28,033</u>	<u>-</u>	<u>-</u>	<u>28,033</u>
Less accumulated depreciation for:				
Machinery and equipment	9,033	2,336	-	11,369
Total accumulated depreciation	<u>9,033</u>	<u>2,336</u>	<u>-</u>	<u>11,369</u>
Total capital assets, being depreciated, net	<u>19,000</u>	<u>(2,336)</u>	<u>-</u>	<u>16,664</u>
Business-type activity capital assets, net	<u>\$ 19,000</u>	<u>\$ (2,336)</u>	<u>\$ -</u>	<u>\$ 16,664</u>

Depreciation expense was charged to functions as follows:

**Business-Type Activities:**

    Food Service                      \$ 2,336

Construction Work in Progress at June 30, 2011, is composed of the following:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Expended Thru 6/30/2011</u>	<u>Committed</u>	<u>Required Future Financing</u>
New Middle School	\$ 6,500,000	\$ 437,543	\$ -	\$ -
Utility Shed	<u>10,000</u>	<u>8,231</u>	<u>-</u>	<u>-</u>
<b>TOTAL</b>	<u>\$ 6,510,000</u>	<u>\$ 445,774</u>	<u>\$ -</u>	<u>\$ -</u>

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 9 - RESTRICTED NET ASSETS**

Restricted net assets for the fiscal year ended June 30, 2011, were as follows:

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Major Funds:		
Special Education Purposes	Law	\$10,104
Food Service Purposes	Federal Regulations	22,354
Nonmajor Funds:		
Capital Outlay Purposes	Law	93
Pension Purposes	Law	<u>2,979</u>
Total Restricted Net Assets		<u>\$35,530</u>

**NOTE 10 - INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2011, were as follows:

	<u>Transfers to:</u>			<u>Totals</u>
	<u>Governmental</u>		<u>Business-</u>	
	<u>Activities</u>		<u>Type</u>	
	<u>Special</u>	<u>Capital</u>	<u>Food</u>	
<u>Transfers from:</u>	<u>Education</u>	<u>Outlay</u>	<u>Service</u>	
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	
General Fund	<u>\$ 40,000</u>	<u>\$ 180,000</u>	<u>\$ 60,000</u>	<u>\$ 280,000</u>

The purpose of the interfund transfers was to transfer federal monies from the General Fund to the Special Education Fund, Capital Outlay Fund and Food Service Fund.

**NOTE 11 - PRIOR PERIOD ADJUSTMENTS**

In previous periods, the School District received federal monies and distributed it to a sub-recipient, Northwest Area Schools. A receivable was set up in the prior period for the monies the School District expected to receive and distribute. Northwest Area Schools is no longer receiving federal funds through the School District, but receives them directly instead. The receivable was recorded in error.

In the previous period, an unrecorded payable existed that was passed on during the audit of the School District as it was immaterial. The amount, as it effects the current year's financial statements, is material, so must be recorded. The expenditure was for construction work in progress, so the appropriate adjustments were made to capital assets as well.

## **TIMBER LAKE SCHOOL DISTRICT NO. 20-3**

### **NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2011**

---

#### **NOTE 12 - RETIREMENT PLAN**

All employees, working more than 20 hours per week during the school year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, South Dakota 57501-1098 or by calling (605)773-3731.

Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2011, 2010 and 2009, were \$134,232, \$123,107, and \$111,507 respectively, equal to the required contributions each year.

#### **NOTE 13 - JOINT VENTURES**

The School District participates in two joint ventures known as Northwest Area Schools Multi-District and Northwest Area Schools Educational Cooperative. These are cooperative service units formed for the purpose of providing education services in the area of special education, adult education, in-service training and other educational services to the member school districts.

##### **Northwest Area Schools Multi-District**

The members of the Northwest Area Schools Multi-District and their relative percentage participation are as follows:

Harding County School District No. 31-1	15.48%
Faith School District No. 46-2	15.48%
Dupree School District No. 64-2	15.48%
Timber Lake School District No. 20-3	15.48%
McLaughlin School District No. 15-2	15.48%
McIntosh School District No. 15-1	15.48%
Mobridge - Pollock School District No. 62-6	7.12%

Northwest Area Schools Multi-District's governing board is composed of one representative from each member school district, who is a school board member. The board is responsible for adopting the joint venture's budget and setting service fees at a level adequate to fund the adopted budget.

The School District retains equity in the net assets and has a responsibility to fund deficits of the joint venture in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from Northwest Area Schools Multi-District.

At June 30, 2011, this joint venture had total assets of \$793,027, total liabilities of \$105,278 and net assets of \$687,749.



**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

---

NOTE 13 - (Continued)

Northwest Area Schools Educational Cooperative

The members of the Northwest Area Schools Educational Cooperative and their relative percentage participation are as follows:

Bison School District No. 52-1	16.67%
Harding County School District No. 31-1	16.67%
Faith School District No. 46-2	16.67%
Dupree School District No. 64-2	16.67%
Timber Lake School District No. 20-3	16.67%
McIntosh School District No. 15-1	16.67%

Northwest Area Schools Educational Cooperative's governing board is composed of one representative from each member school district, who is a school board member. The board is responsible for adopting the joint venture's budget and setting service fees at a level adequate to fund the adopted budget.

The School District retains equity in the net assets and has a responsibility to fund deficits of the joint venture in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from Northwest Area Schools Educational Cooperative.

At June 30, 2011, this joint venture had total assets of \$647,732, total liabilities of \$102,497 and net assets of \$545,235.

NOTE 14 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2011, the School District managed its risks as follows:

Employee Health Insurance:

The School District purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance:

The School District joined the Associated School Boards of South Dakota Property and Liability Fund (ASBSD-PLF), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota school districts. The objective of the ASBSD-PLF is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The School District's responsibility is to promptly report to and cooperate with the ASBSD-PLF to resolve any incident which could result in a claim being made by or against the School District. The School District pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the ASBSD-PLF member, based on their exposure or type of coverage. The School District pays an annual premium to the pool to provide coverage for: package coverage for property, general liability, crime and automobile; umbrella liability; boiler and machinery; and school leaders' errors and omissions.

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

---

**NOTE 14 - (Continued)**

The agreement with the ASBSD-PLF provides that the above coverages will be provided to a \$1,900,000 limit for general liability, auto, school board errors and omissions, employee practices liability and employee benefits liability; \$50,000 limit for crime; \$250,000,000 limit for property; and a \$50,000,000 limit for boiler and machinery. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$100,000 to the upper limit. The School District carries a \$5,000 defense only/\$10,000 deductible on all others for school board errors and omissions, \$1,000 deductible on employee benefits liability, \$10,000 deductible for employee practices, \$1,000 deductible per occurrence for crime, \$500 deductible for property and \$1,000 deductible for boiler and machinery.

The School District does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

**Workers' Compensation:**

The School District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool which provides workers' compensation insurance coverage for participating members of the pool. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The School District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The School District pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. The School District may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance which covers up to \$2,000,000 per individual, per incident.

The School District does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

**Unemployment Benefits:**

The School District has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

The School District has not assigned any amount of fund balance for the payment of future unemployment benefits.

During the year ended June 30, 2011, no claims for unemployment benefits were paid. At June 30, 2011, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

**NOTE 15 - LITIGATION**

At June 30, 2011, the School District was not involved in any litigation.

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

---

**NOTE 16 - SUBSEQUENT EVENTS**

Management has evaluated whether any subsequent events have occurred through December 12, 2011, the date on which the financial statements were available to be issued. Management has determined there are none.

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A**

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - BUDGETARY BASIS**  
**YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 468,842	\$ 468,842	\$ 456,318	\$ (12,524)
Prior year's ad valorem taxes	5,000	5,000	8,921	3,921
Gross receipts taxes	3,000	3,000	34,290	31,290
Other taxes	1,000	1,000	318	(682)
Penalties and interest on taxes	2,200	2,200	3,867	1,667
Cocurricular activities:				
Admissions	14,000	14,000	14,722	722
Other pupil activity income	1,500	1,500	1,150	(350)
Other revenue from local sources:				
Refund of prior years' expenditures	-	-	1,071	1,071
Other	16,000	16,000	31,103	15,103
Revenue from Intermediate Sources:				
County sources:				
County apportionment	250	250	1,885	1,635
Revenue from State Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid	1,318,443	1,318,443	1,331,821	13,378
Restricted grants-in-aid	1,000	1,000	1,000	-
Other state revenue	1,000	1,000	497	(503)
Revenue from Federal Sources:				
Grants-in-aid:				
Restricted grants-in-aid received from federal government through the state	391,570	391,570	568,644	177,074
Johnson O'Malley funds	6,400	6,400	9,721	3,321
Other federal revenue	38,503	38,503	60,114	21,611
<b>TOTAL REVENUE</b>	<b>2,268,708</b>	<b>2,268,708</b>	<b>2,525,442</b>	<b>256,734</b>
<b>EXPENDITURES:</b>				
Instruction:				
Regular programs:				
Elementary	621,952	621,952	656,819	(34,867)
Middle/Junior high	361,565	361,565	318,497	43,068
High school	556,417	556,417	554,781	1,636
Special programs:				
Culturally different	44,987	44,987	48,408	(3,421)
Educationally deprived	319,764	319,764	330,459	(10,695)

(Continued on next page)

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - BUDGETARY BASIS**  
**YEAR ENDED JUNE 30, 2011**  
**(Continued)**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Support Services:				
Pupils:				
Guidance	135,981	135,981	131,378	4,603
Health	2,550	2,550	1,380	1,170
Instructional staff:				
Improvement of instruction	2,000	2,000	1,562	438
Educational media	112,113	112,113	125,636	(13,523)
General administration:				
Board of education	75,985	75,985	69,211	6,774
Executive administration	165,305	165,305	166,279	(974)
School administration:				
Office of the principal	166,109	166,109	154,817	11,292
Other	72,263	72,263	69,899	2,364
Business:				
Fiscal services	105,167	105,167	96,339	8,828
Operation and maintenance of plant	378,501	378,501	359,789	18,712
Pupil transportation	193,256	193,256	199,043	(5,787)
Central:				
Staff	2,500	2,500	952	1,548
Cocurricular Activities:				
Male activities	38,956	38,956	36,631	2,325
Female activities	32,085	32,085	28,553	3,532
Combined activities	72,357	72,357	64,065	8,292
<b>TOTAL EXPENDITURES</b>	<b>3,459,813</b>	<b>3,459,813</b>	<b>3,414,498</b>	<b>45,315</b>
<b>EXCESS OF REVENUE OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<b>(1,191,105)</b>	<b>(1,191,105)</b>	<b>(889,056)</b>	<b>302,049</b>
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	1,191,105	1,191,105	500,000	(691,105)
Compensation for loss of general capital assets	-	-	440	440
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>1,191,105</b>	<b>1,191,105</b>	<b>500,440</b>	<b>(690,665)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>(388,616)</b>	<b>(388,616)</b>
<b>FUND BALANCE - BEGINNING</b>	<b>549,411</b>	<b>549,411</b>	<b>549,411</b>	<b>-</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 549,411</b>	<b>\$ 549,411</b>	<b>\$ 160,795</b>	<b>\$ (388,616)</b>

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - SPECIAL EDUCATION FUND - BUDGETARY BASIS**  
**YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
<b>REVENUES:</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 108,500	\$ 108,500	\$ 122,619	14,119
Prior year's ad valorem taxes	1,500	1,500	1,983	483
Penalties and interest on taxes	600	600	1,035	435
Other revenue from local sources:				
Charges for services	-	-	16,660	16,660
Other	-	-	95	95
Revenue from State Sources:				
Grants-in-aid:				
Restricted grants-in-aid	100,000	100,000	189,590	89,590
Revenue from Federal Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid received directly from federal government	40,000	40,000	24,184	(15,816)
Restricted grants-in-aid received from federal government through the state	-	-	569	569
<b>TOTAL REVENUE</b>	<u>250,600</u>	<u>250,600</u>	<u>356,735</u>	<u>106,135</u>
<b>EXPENDITURES:</b>				
Instruction:				
Special programs:				
Programs for special education	383,763	383,763	410,344	(26,581)
Support Services:				
Pupils:				
Psychological	10,000	10,000	3,101	6,899
Speech pathology	500	500	-	500
Audiology services	500	500	75	425
Student therapy services	55,000	55,000	29,959	25,041
Special education:				
Administrative costs	23,097	23,097	23,097	-
Transportation costs	8,000	8,000	6,316	1,684
<b>TOTAL EXPENDITURES</b>	<u>480,860</u>	<u>480,860</u>	<u>472,892</u>	<u>7,968</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>(230,260)</u>	<u>(230,260)</u>	<u>(116,157)</u>	<u>114,103</u>

(Continued on next page)

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - SPECIAL EDUCATION FUND - BUDGETARY BASIS**  
**YEAR ENDED JUNE 30, 2011**  
**(Continued)**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES:				
Transfers in	<u>230,260</u>	<u>230,260</u>	<u>40,000</u>	<u>(190,260)</u>
TOTAL OTHER FINANCING SOURCES	<u>230,260</u>	<u>230,260</u>	<u>40,000</u>	<u>(190,260)</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>(76,157)</u>	<u>(76,157)</u>
FUND BALANCE - BEGINNING	88,789	88,789	88,789	-
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>-</u>	<u>(8,913)</u>	<u>(8,913)</u>
ADJUSTED FUND BALANCE - BEGINNING	<u>88,789</u>	<u>88,789</u>	<u>79,876</u>	<u>(8,913)</u>
FUND BALANCE - ENDING	<u>\$ 88,789</u>	<u>\$ 88,789</u>	<u>\$ 3,719</u>	<u>\$ (85,070)</u>



**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A**  
**SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND AND FOR EACH**  
**MAJOR SPECIAL REVENUE FUND WITH A LEGALLY REQUIRED BUDGET**  
**JUNE 30, 2011**

---

**NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING**

The School District followed these procedures in establishing the budgetary data reflected in the schedules:

1. Prior to the first regular board meeting in May of each year the school board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
6. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line item in the budget.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
11. Budgets for the General Fund and each major Special Revenue Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

**NOTE 2 - USGAAP/Budgetary Accounting Basis Differences**

1. The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new school bus would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the Budgetary RSI Schedule, the purchase of a school bus would be reported as an expenditure of the Support Services-Business/Pupil Transportation function of government, along with all other current Pupil Transportation related expenditures.

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A**  
**SCHEDULES OF BUDGETARY COMPARISONS FOR THE GENERAL FUND AND FOR EACH**  
**MAJOR SPECIAL REVENUE FUND WITH A LEGALLY REQUIRED BUDGET**  
**JUNE 30, 2011**  
**(Continued)**

---

NOTE 2 - Continued

2. The financial statements prepared in conformity with USGAAP do not recognize the Impact Aid Fund as a special revenue fund. The fund has specific revenue, but does not require it be spent on a special purpose. According to SDCL 13-16-31, the school should maintain a separate Impact Aid Fund. So to comply with USGAAP and state law, the Impact Aid Fund is blended with the General Fund in the Basic Financial Statements, however, the Budgetary RSI Schedule shows the General Fund separate from the Impact Aid Fund.

## **SUPPLEMENTARY INFORMATION**

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2011**

	Capital Outlay Fund	Pension Fund	Total Nonmajor Governmental Funds
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 3,369	\$ 2,904	\$ 6,273
Taxes receivable - delinquent	<u>1,017</u>	<u>75</u>	<u>1,092</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 4,386</b></u>	<u><b>\$ 2,979</b></u>	<u><b>\$ 7,365</b></u>
<b>LIABILITIES AND FUND BALANCES:</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 4,293	\$ -	\$ 4,293
Deferred revenue	<u>1,017</u>	<u>75</u>	<u>1,092</u>
<b>TOTAL LIABILITIES</b>	<u><b>5,310</b></u>	<u><b>75</b></u>	<u><b>5,385</b></u>
<b>FUND BALANCES:</b>			
Restricted	-	2,904	2,904
Unassigned	<u>(924)</u>	<u>-</u>	<u>(924)</u>
<b>TOTAL FUND BALANCES</b>	<u><b>(924)</b></u>	<u><b>2,904</b></u>	<u><b>1,980</b></u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><b>\$ 4,386</b></u>	<u><b>\$ 2,979</b></u>	<u><b>\$ 7,365</b></u>

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2011**

	Capital Outlay Fund	Pension Fund	Total Nonmajor Governmental Funds
<b>REVENUES:</b>			
Revenue from Local Sources:			
Taxes:			
Ad valorem taxes	\$ 89	\$ 10	\$ 99
Prior year's ad valorem taxes	1,463	27	1,490
Penalties and interest on taxes	616	6	622
Revenue from Federal Sources:			
Grants-in-aid:			
Unrestricted grants-in-aid received directly from federal government	8,752	-	8,752
<b>TOTAL REVENUE</b>	<b>10,920</b>	<b>43</b>	<b>10,963</b>
<b>EXPENDITURES:</b>			
Instruction:			
Regular programs:			
Elementary	57,106	-	57,106
Middle/Junior high	23,310	-	23,310
High school	14,080	-	14,080
Support Services:			
Instructional staff:			
Educational media	1,576	-	1,576
Business:			
Operation and maintenance of plant	57,891	-	57,891
Pupil transportation	1,090	-	1,090
Cocurricular Activities:			
Male activities	1,680	-	1,680
Female activities	2,502	-	2,502
Capital Outlay	35,906	-	35,906
<b>TOTAL EXPENDITURES</b>	<b>195,141</b>	<b>-</b>	<b>195,141</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(184,221)</b>	<b>43</b>	<b>(184,178)</b>
<b>OTHER FINANCING SOURCES:</b>			
Transfers in	180,000	-	180,000
Sale of surplus property	5,010	-	5,010
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>185,010</b>	<b>-</b>	<b>185,010</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>789</b>	<b>43</b>	<b>832</b>
<b>FUND BALANCE - BEGINNING</b>	<b>(1,713)</b>	<b>2,861</b>	<b>1,148</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ (924)</b>	<b>\$ 2,904</b>	<b>\$ 1,980</b>

**TIMBER LAKE SCHOOL DISTRICT NO. 20-3**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Expenditures 2011
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>		
Pass-through the S.D. Department of Education:		
Child Nutrition Cluster:		
Non-Cash Assistance (Commodities):		
National School Lunch Program	10.555	\$ 10,280
Cash Assistance:		
School Breakfast Program (Note 2)	10.553	25,416
National School Lunch Program (Note 2)	10.555	<u>71,425</u>
Total for Child Nutrition Cluster:		107,121
Team Nutrition Grants	10.574	<u>381</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>		<u>107,502</u>
<b>U.S. DEPARTMENT OF THE INTERIOR:</b>		
Direct Federal Funding:		
Indian Education - Assistance to Schools (Note 2)	15.130	<u>9,721</u>
<b>TOTAL U.S. DEPARTMENT OF THE INTERIOR</b>		<u>9,721</u>
<b>NATIONAL FOUNDATION ON THE ARTS AND HUMANITIES:</b>		
Pass-through the S.D. Department of Tourism and State Development :		
Promotion of the Arts - Partnership Agreements	45.025	<u>1,169</u>
<b>TOTAL NATIONAL FOUNDATION ON THE ARTS AND HUMANITIES</b>		<u>1,169</u>
<b>U.S. DEPARTMENT OF EDUCATION:</b>		
Direct Federal Funding:		
Impact Aid (Note 3)	84.041	769,784
Indian Education - Grants to Local Educational Agencies	84.060	37,564
Impact Aid - School Construction, Recovery Act (Note 3)	84.401	437,543
Impact Aid - School Construction Formula Grants, Recovery Act (Note 3)	84.404	8,752
Pass-through the S.D. Department of Education:		
Special Education Cluster:		
Special Education - Grants to States, Recovery Act (Note 2)	84.391	569
Title I Grants to Local Educational Agencies	84.010	288,407
Fund for the Improvement of Education	84.215	500
Indian Education - Special Programs for Indian Children	84.299	3,000
Education Technology State Grants	84.318	1,653
Improving Literacy Through School Libraries	84.364	13,556
Improving Teacher Quality State Grants	84.367	67,908
Title I Grants to Local Educational Agencies, Recovery Act (Note 3)	84.389	31,139
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	79,219
Education Jobs Fund	84.410	<u>99,149</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>		<u>1,838,743</u>

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Expenditures 2011
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
Pass-through the S.D. Department of Health:		
Public Health Emergency Preparedness	93.069	1,389
Pass-through the S.D. Department of Public Safety:		
Disaster Grants - Public Assistance	97.036	3,724
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		5,113
GRAND TOTAL		\$ 1,962,248

**NOTE 1:** The accompanying schedule of expenditures of federal awards includes the federal grant activity of the School District and is presented on the modified accrual basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 2:** Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

**NOTE 3:** This represents a major federal financial assistance program.